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**Annual General Meeting of Unitholders  
will be held in the  
Park Ballroom, Four Seasons Hotel  
Vancouver, British Columbia  
Wednesday, March 21, 1984  
11:00 a.m., Vancouver time**



## BBC REALTY INVESTORS



## BBC REALTY INVESTORS

AN UNINCORPORATED TRUST ESTABLISHED UNDER THE LAWS OF BRITISH COLUMBIA

### Financial Highlights

As at December 31,

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Gross Income (thousands of dollars)	17,128	24,257	28,481	22,680	18,970	16,406	12,249	10,613	9,192	6,561
Net Income (thousands of dollars)	2,656	3,581	5,691	5,048	4,860	4,648	3,685	3,001	2,831	2,107
Income Distribution (dollars per unit)	1.00	1.36	2.13	1.92	1.85	1.80	1.70	1.58	1.49	1.24
Total Assets (thousands of dollars)	132,678	148,048	169,539	166,570	141,395	139,874	113,274	96,837	86,686	73,940
Equity and Retained Earnings (thousands of dollars)	29,229	29,210	29,198	29,109	29,109	29,109	26,655	20,464	20,364	20,355
Outstanding Commitments (thousands of dollars)	8,456	11,134	33,466	34,950	42,535	25,963	28,957	18,189	7,816	11,710
Number of Trust Units Issued and Outstanding (thousands)	2,624	2,624	2,624	2,624	2,624	2,624	2,419	1,903	1,895	1,894
Number of Unitholders	3,635	4,378	4,938	5,360	5,559	5,882	5,250	4,279	4,024	3,931





### President's Report

1983 was a year in which our country experienced one of the most difficult economic times in the past fifty years. While all sectors felt the recession, the real estate community was one of the most harshly affected. Despite the adversities faced within the industry, your Trust met the challenges, adapted to the times and took the necessary action. This resulted in earnings which provided a net return on Unitholder's equity of 9.1% for the year. This performance is very respectable when compared to many industry related organizations.

Our expectations that 1983 would be a difficult year for the industry, proved valid and in some areas further deterioration took place. This increased the challenge to meet the objectives set for the year to replace maturing investments and expand the asset base. A renewed interest by investors to purchase properties at lower market values did not

materialize to the degree expected. This combined with a continued lack of demand for new construction, did not provide sufficient opportunities to replace all maturing investments or to increase the asset base.

Although consolidated assets decreased approximately 10% to \$132.7 million, a substantial number of maturing investments were retained and fundings of new investments remained approximately equal to the prior year.

Despite the decline of assets of approximately 10% net income before provision for losses declined by only 4% to \$3.7 million compared to the previous year. After deduction of provision for losses, which represented approximately 32¢ per trust unit, net earnings of \$2.6 million provided for distributions of \$1.00 per trust unit. This compares to \$1.36 per trust unit for 1982.



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## BBC REALTY INVESTORS

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While actual losses have been very low, the Trust must provide for this possibility. The Trust's practise with respect to the treatment of losses has been to charge the allowance for losses account only when an investment has been disposed of and a shortfall is actually incurred. Until that time it is necessary to reflect any impairment in the carrying value of the investments on the balance sheet of the Trust. This is achieved by adjusting the allowance for losses account which is deducted from the cost of investments. The amount allocated as an allowance for losses must be realistic and prudent in relation to the potential exposure on investments. The current recession has had a dramatic effect on the value of all real estate and the turn-around or correction of this situation may be complicated and of some duration. To the extent the allowance is ultimately not required it will be taken into income and distributed to the Unitholders.

In 1983, the Trust continued to experience delinquencies on certain loans. It is the Trust's policy to stop accruing interest on loans which are in arrears in excess of three months or earlier, if in the opinion of management payments appear doubtful. This policy results in a sound approach to recognition of income and prevents accruing income which may not be received. When payment of arrears is received, a lump sum of previously unaccrued interest will be taken into income. As at December 31, 1983 income which is owed but not received represented an amount in excess of \$1.00 per trust unit. It is expected however, that not all these funds will be recovered. While the exact amount of eventual recoveries is unknown, the Trust continues to take all remedies available against the value of the properties and covenant guarantees, where applicable, in order to collect amounts owing.

During the latter part of the year there were some signs of modest improvement in the demand for the development of single family properties in selective areas in the lower mainland of British Columbia. Hopefully these are the first signs that the industry has passed the low point in this prolonged cycle. Expectations are that the first half of 1984 will continue at a slow pace with slightly more

activity during the second half. Although we are mildly optimistic that investment opportunities will develop as conditions improve we remain cognizant of the need to monitor existing accounts and to rectify delinquencies.

The continuation of stable interest rates is positive in terms of attracting investors to become more active in the development or purchase of properties. With the present low leverage ratio your Trust is well positioned to undertake new investment opportunities.

We wish to thank the Trustees for their continued dedication and counsel. Their professional knowledge, understanding and decision making abilities are directly responsible for the sound management of BBC Realty Investors. We also acknowledge the diligent efforts of our staff in these most difficult times.

We regret to advise Unitholders of the death of Mr. A.J. Narod who passed away in March of 1983. Mr. Narod was an original member of the Board of Trustees. His support and contributions since inception of the Trust have greatly assisted in the success achieved. He is sincerely missed.



T.W. PILLEY, President





### The Trustees

The responsibility for the Trust and the conduct of its affairs, including acquisition and disposition of Trust assets, is vested in the Trustees. The Trustees have designated an Investment Committee from among their number with authority to decide on all investments not exceeding five percent of the equity capital of the Trust. As required by the Declaration of Trust, a majority of the Trustees and the members of the Investment Committee are independent of the Bank of British Columbia, the Advisor to the Trust and its affiliates. Of the present 11 Trustees, 6 are not directors, officers or employees of the Advisor. The Declaration of Trust also requires that at least 50 percent of the Trustees voting on any investment decision must be independent of the Advisor and its affiliates.

The intention of the Trustees is to continue to develop a portfolio with a good mixture of real estate investments. The current portfolio composition is 68.9 percent first mortgage loans on residential, commercial and industrial properties, 23.7 percent in construction, land, development and junior mortgage investments and 7.4 percent in income producing property. In some cases investments carry participation or option agreements. It is also the Trustees' intention to continue to qualify the Trust for the maximum leverage allowed of five times equity invested by maintaining the necessary balance of qualified first mortgages.

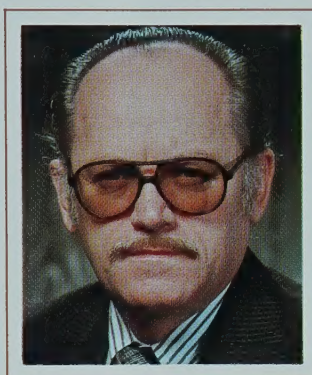


# BBC REALTY INVESTORS

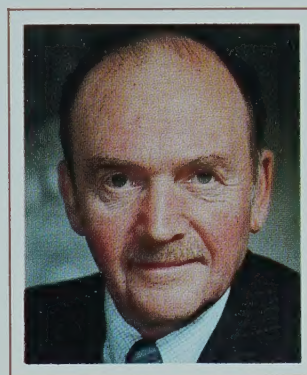
## Board of Trustees



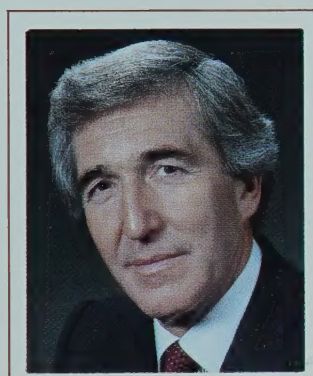
T.W. PILLEY\* *President*



A.J. BLOCK\*



D.M. CLARK, Q.C.



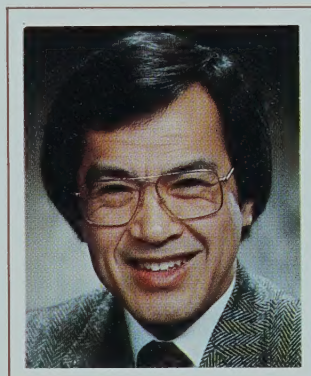
N.N. GREEN



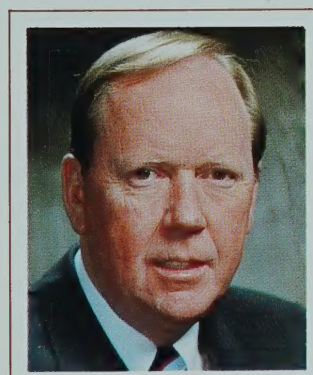
L. KAHN\*Δ



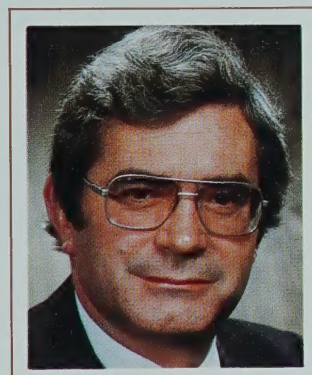
A.D. LAIRD Δ



R.H. LEE\*



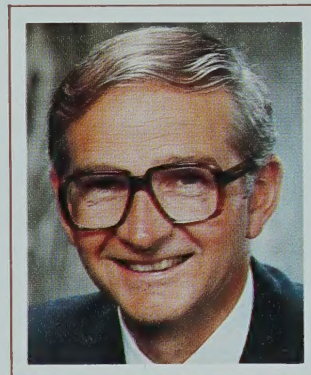
D.E. McGEACHAN\*



R.J. MAIR\*Δ *Secretary*



J.L. SCHLOSSER



K.T. STEVENSON\*

\*Member: Investment Committee

Δ Member: Audit Committee

## The Officers

President . . . . . T.W. Pilley

Vice-President . . . . . T.C. Brennen

Vice-President . . . . . K.G. Isard

Assistant Vice-President . . . S.J. Bayly

Assistant Vice-President . . . M.C. Mahan

Assistant Vice-President . . . A.E. Miles-Pickup

Secretary . . . . . R.J. Mair

Controller . . . . . K.D. Browning

Portfolio Administrator . . . S.E. Morgan





### “The Trust”

The Trust, an unincorporated trust established under the laws of the Province of British Columbia by a Declaration of Trust, began operations on January 2, 1973. The beneficial interests under the Declaration of Trust are divided into transferable units. The Trust units are transferable by endorsement and delivery in substantially the same manner as shares of Canadian companies and are traded on the Canadian stock exchanges.

The Trust was formed to provide investors with an opportunity to participate in income and gains through professional management of a diversified portfolio of real estate investments, including mortgages and equity investments in income producing properties.

The Trustees, on behalf of the Trust, have entered into a contract with the Bank of British Columbia, the Advisor to the Trust, under which the Advisor investigates, evaluates and recommends investment and financing opportunities to the Trustees and administers the Trust's affairs on a continuing basis. The Advisor has created a special department with a permanent staff to ad-

minister the day-to-day functions of the Trust.

The Advisor is compensated for its services, and is responsible for expenses of operation of the Trust other than those prescribed by regulatory bodies such as interest expense, financing costs, property ownership expense and Unitholder expenses, for which the Trust is responsible. As compensation for its services, an advisory fee is paid to the Advisor at the monthly rate of 1/8 of 1 percent of the invested assets of the Trust, with a maximum of 25 percent of net income before the advisory fee.

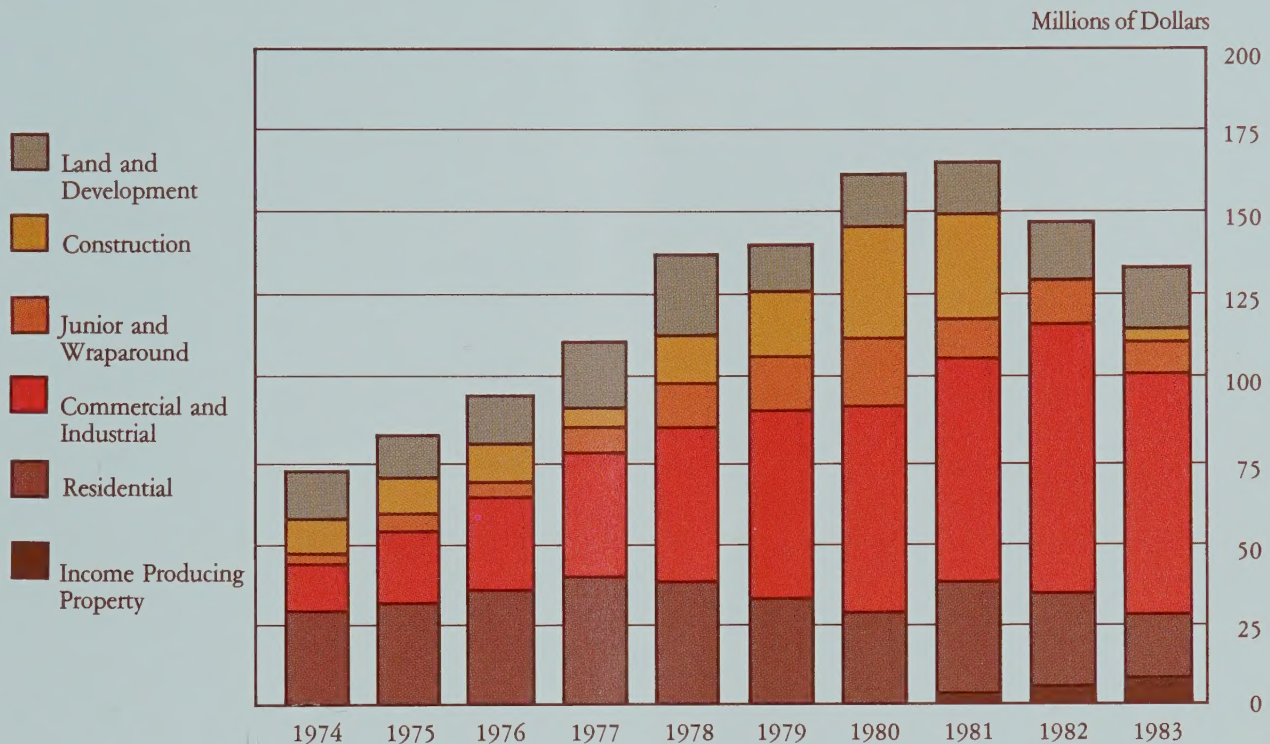
A fundamental policy of the Trust is to distribute substantially all the annual net income earned on a quarterly basis. Should there be a net realized capital gain, it may be reinvested, if suitable investment opportunities are available, or it may be distributed to Unitholders, at the discretion of the Trustees.

The Trust qualifies as a “unit trust” and also qualifies under Section 132(6) of the Income Tax Act (Canada) and so long as it so qualifies it is not taxed on any income that is distributed to Unitholders.



## BBC REALTY INVESTORS

### Portfolio Composition



### Principal Types of Investments

BBC Realty Investors has, since its inception, been aware of the need for responsive financial support for real estate developers and investors in Western Canada. Our western locations give us proximity to this market and familiarity with its intricacies. Our staff is available on a person to person basis enabling assessments and decisions to be made promptly.

Professional, full-time personnel are situated in Vancouver and Edmonton to ensure the quality of service which our clientele have come to expect of BBC Realty Investors.

The structure of the Trust allows BBC Realty Investors to provide a full range of financial services to the real estate industry.

At the moment, our investment portfolio capacity is divided into eight major categories. Depending on the economic pattern, the weighing and terms of loans within each category will adjust to local and national conditions.

#### Residential

Loans on single family residential dwellings and apartment buildings account for a lesser portion of our investment portfolio now than in the past. Competition for these loans has increased while market demand and profitability has decreased. Loans of this variety are generally for a three to five year term with an amortization of up to 25 years and, unless insured, are not likely to exceed a loan-to-value ratio of 75 percent.

#### Commercial and Industrial

Commercial and industrial loans include mortgages on office buildings, shopping centres, and industrial properties. The loan-to-value ratio does not normally exceed 75 percent of the market value of the security, unless insured. Interest rates may be fixed or floating with a greater stress recently on floating rates. This reduces risk by matching borrowings with



floating rate fundings currently available in the marketplace.

### Construction Loans

The Trust may provide funds required to construct new projects. These funds are placed on a selective basis and are conservatively underwritten. In most cases, the interest rates float with the cost of funds. Strict underwriting guidelines are enforced to ensure the quality and safety of the investment.

In addition to the expertise of the Trustees and Officers, independent opinions are often sought regarding project feasibility. Independent appraisals are required in many instances, with onsite inspection work being carried out by the Advisor's staff, and project progress reports provided by professional engineers.

Our policy is to ensure that the owner's equity funds are in the project prior to our making advances, with adequate funds retained to complete the project.

### Land and Development

Funds are provided for the acquisition of land and for installing services. The formula for loans of this type is similar to other interim lending programmes, with the exception that the loan is generally less than 60 percent of the market value of the finished project. The size of the loan may be increased when the Trust is to participate in future profits.

### Other Mortgage Investments

The Trust may invest in junior mortgages. Normally the total amount of indebtedness would not exceed the amount the property would support in a normal first mortgage situation. More specifically, the Trust would not make a loan of this type unless it was prepared to assume the entire debt.

### Participation Investments

BBC Realty Investors is interested in participating in investments with experienced developers and investors. The Trust may finance up to 100% of the project costs in return for a portion of the ownership or profit. The

investment can be structured in a variety of ways involving an existing building to be purchased, a new building to be constructed or land to be developed.

BBC Realty Investors brings strong financial and professional experience to any participation venture.

### Real Estate Equity Investments

It is an objective of the Trust to seek equity investments in income producing properties such as apartment buildings, office buildings and commercial and industrial developments. These investments may be held directly or through wholly owned subsidiaries.

In certain cases, the Trust may assume existing indebtedness on properties in which it acquires an equity interest.

### Purchase-leasebacks

Purchase-leasebacks are another type of investment considered by the Trust. In these cases, property may be purchased by the Trust which in turn enters into variable term leases, generally with the vendor.

### Summary

While we have listed the principal types of investments currently occupying our energies and attention, this does not by any means exhaust the opportunities open to us on a day-to-day basis.

Our industry is one of constant change, with the need for continual innovation on the part of management. The Trust is alert to trends and possesses the managerial expertise, diversified skills and flexibility required to respond quickly to change.





### Auditors' Report to the Unitholders

We have examined the consolidated balance sheet of BBC Realty Investors as at December 31, 1983 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Trust as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
January 10, 1984

*Coopers & Lybrand*

Chartered Accountants



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## BBC REALTY INVESTORS

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### Consolidated Balance Sheet

As at December 31, 1983

	<u>1983</u>	<u>1982</u>
Assets		
Cash	\$ 2,217,952	\$ 1,100,288
Investments (notes 3 and 4)	120,262,141	140,360,534
Income producing properties (note 5)	9,747,809	6,169,338
Investment in affiliated companies (note 6)	101,955	93,431
Other assets	<u>347,972</u>	<u>324,696</u>
	<u>\$132,677,829</u>	<u>\$148,048,287</u>

Approved on behalf of the Trustees



T.W. Pilley, Trustee



R.J. Mair, Trustee



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## BBC REALTY INVESTORS

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	<u>1983</u>	<u>1982</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 182,396	\$ 219,173
Accrued interest payable	1,859,162	2,304,538
Income distribution payable (note 9)	459,187	813,417
Refundable commitment fees	13,350	150,170
Loans — Operating (note 11)	—	875,000
— Short term (note 2)	43,304,856	35,432,673
— Medium term (notes 2 and 7)	57,451,000	78,605,000
Unearned revenue	147,910	417,689
Deferred income taxes	<u>31,450</u>	<u>20,750</u>
	<u>103,449,311</u>	<u>118,838,410</u>
<b>Unitholders' Equity</b>		
Trust units (note 8)	29,109,144	29,109,144
Retained earnings (note 9)	<u>119,374</u>	<u>100,733</u>
	<u>29,228,518</u>	<u>29,209,877</u>
	<u><u>\$132,677,829</u></u>	<u><u>\$148,048,287</u></u>



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**BBC REALTY INVESTORS**

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**Consolidated Statement of Income and Retained Earnings**

For the year ended December 31, 1983

	<u>1983</u>	<u>1982</u>
<b>Revenue</b>		
Investment income	\$16,189,304	\$23,693,947
Property and other income	<u>938,837</u>	<u>563,099</u>
	<u>17,128,141</u>	<u>24,257,046</u>
 <b>Operating Expenses</b>		
Interest	11,712,640	18,594,404
Advisory fee	879,016	1,189,513
Property operating expenses	403,086	186,156
Other	350,411	340,857
Provision for deferred income taxes	<u>10,700</u>	<u>750</u>
	<u>13,355,853</u>	<u>20,311,680</u>
Income for the year before provision for losses	3,772,288	3,945,366
Provision for losses (note 4)	<u>1,116,600</u>	<u>364,709</u>
Net income for the year	2,655,688	3,580,657
Distribution to unitholders (note 9)	2,637,047	3,568,541
Retained earnings — beginning of year	<u>100,733</u>	<u>88,617</u>
Retained earnings — end of year	<u>\$ 119,374</u>	<u>\$ 100,733</u>
Income per trust unit	<u>\$ 1.012</u>	<u>\$ 1.365</u>
Income distributed (note 9)	<u>\$ 1.005</u>	<u>\$ 1.360</u>



## BBC REALTY INVESTORS

### Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1983

	1983	1982
<b>Source of Cash</b>		
Net income for the year	\$ 2,655,688	\$ 3,580,657
Add: Non-cash items —		
Provision for losses	1,116,600	364,709
Loan losses	(71,991)	(324,709)
Amortization of unearned revenue	(268,109)	(297,373)
Depreciation	49,806	25,744
Equity in earnings of 50%-owned companies	(8,524)	(11,309)
Deferred income taxes	10,700	750
From operations	3,484,170	3,338,469
Loans — operating	50,900,000	73,500,000
— short term	262,170,204	429,411,761
— medium term	37,631,000	53,000,000
Repayment of real estate mortgages	40,741,330	47,001,872
	<u>394,926,704</u>	<u>606,252,102</u>
<b>Use of Cash</b>		
Investment in real estate mortgages	22,346,434	24,304,185
Investment in income producing property	3,619,243	2,433,068
Distribution to unitholders (excluding income distribution payable of \$459,187; 1982 — \$813,417)	2,991,277	4,158,925
Loan repayments — operating	51,775,000	79,125,000
— short term	254,298,021	448,693,426
— medium term	58,785,000	47,825,000
Net change of other assets and liabilities	(5,935)	13,899
	<u>393,809,040</u>	<u>606,553,503</u>
Increase (decrease) in cash for the year	1,117,664	(301,401)
Cash — beginning of year	1,100,288	1,401,689
Cash — end of year	<u>\$ 2,217,952</u>	<u>\$ 1,100,288</u>



## Notes to Consolidated Financial Statements

For the Year Ended December 31, 1983

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiary companies, REIT Properties Ltd. and KQX Realty Holdings Ltd.

Investments in 50%-owned companies, BBC-RI Services Ltd. and BBC Realty Investments Limited, are accounted for by the equity method.

#### The Advisor

The Advisor provides investment opportunities, serves as financial consultant and administers the day-to-day affairs of the Trust. For these services the Trust pays a monthly fee not in excess of 1/8 of 1% of invested assets, subject to an annual maximum of 25% of the net income of the Trust before deduction of the advisory fee.

#### Investments

Real estate mortgages are recorded at the principal plus accrued interest less an allowance for losses. Interest income is recorded on the accrual basis except as follows. The accrual of interest income is discontinued when payment of interest on loans is in arrears in excess of three months or sooner, if in the opinion of management the ultimate recovery of some portion of principal or interest is doubtful. In subsequent periods, interest from such loans is taken into income only when received.

#### Allowance for Losses

The Trust makes specific provision for any losses anticipated on its loan portfolio by evaluating individual loans. The Trust may also make a general provision for possible loan losses.

#### Income per Trust Unit

Income per Trust unit is based on the number of Trust units outstanding on the quarterly record date of distribution.

#### Income Producing Properties

Income producing properties are carried at cost less accumulated depreciation. Depreciation is provided using the sinking-fund method over 40 years. The sinking-fund method provides for a depreciation charge of a fixed annual amount increasing at the rate of 5% per annum, which will result in the cost of the property being fully depreciated over its estimated useful life.

#### Income Taxes

The Trust conducts its affairs in a manner whereby it qualifies as a "unit trust" under the Income Tax Act (Canada). All of its taxable income is paid or payable to unitholders of record on December 31, 1983 and, accordingly, there is no provision for income taxes on income of the Trust.

Income taxes are provided at current rates on subsidiary operations. Deferred income taxes represent amounts deferred to future years due to the earlier deduction of certain expenses, principally depreciation, for tax purposes.



## BBC REALTY INVESTORS

### 2. FINANCING AGREEMENT AND RELATED PARTY TRANSACTIONS

The Bank of British Columbia and the Trust are 50% shareholders in BBC-RI Services Ltd. (BBC-RI), and BBC Realty Investments Limited.

At the request of the Trust and under the terms of an agreement dated January 2, 1973, BBC-RI borrows money and lends the net proceeds of such borrowings to the Trust at substantially similar terms and conditions. The Trust guarantees all such borrowings and standby lines of credit (note 10) and BBC-RI has agreed not to incur any indebtedness for money so borrowed except with the consent of the Trust.

The Trust pays interest at a rate or rates sufficient to reimburse BBC-RI for interest paid or payable on all its borrowings for all its expenses plus an amount based on the level of indebtedness between the Trust and BBC-RI.

In 1983 there were no transactions between the Trust and BBC Realty Investments Limited.

Transactions with BBC-RI:

	1983	1982
Loans outstanding — short term	\$ 43,304,856	\$ 35,432,673
— medium term	41,451,000	57,605,000
Interest paid during the year	9,484,386	15,670,005

### 3. INVESTMENTS

	1983	1982
Real estate mortgages:		
Construction, development and land loans	\$ 19,171,458	\$ 18,135,283
Other mortgage loans	102,670,310	122,101,381
	121,841,768	140,236,664
Accrued interest	1,554,982	2,213,870
	123,396,750	142,450,534
Less: Allowance for losses (note 4)	3,134,609	2,090,000
	<u>\$120,262,141</u>	<u>\$140,360,534</u>

The real estate mortgages mature as follows:

1984	\$ 97,976,524
1985	12,808,156
1986	8,975,710
1987 and subsequent years	2,081,378
	<u>\$121,841,768</u>

The Trust has entered into commitments for mortgage loans in the amount of \$8,456,000 which were not drawn down at the year end.

### 4. ALLOWANCE FOR LOSSES

	1983	1982
Balance — beginning of year	\$2,090,000	\$2,050,000
Add: Current year's provision for losses	1,116,600	364,709
	3,206,600	2,414,709
Less: Loan losses	71,991	324,709
Balance — end of year	<u>\$3,134,609</u>	<u>\$2,090,000</u>



## BBC REALTY INVESTORS

### 5. INCOME PRODUCING PROPERTIES

	1983			1982
	Cost	Accumulated depreciation	Net book value	Net book value
Apartment building	\$ 494,198	\$ 816	\$ 493,382	\$ —
Office building	3,798,467	59,240	3,739,227	3,769,338
Commercial buildings	5,534,080	18,880	5,515,200	2,400,000
	<u>\$9,826,745</u>	<u>\$78,936</u>	<u>\$9,747,809</u>	<u>\$6,169,338</u>

Depreciation during the year amounted to \$49,806 (1982 - \$25,744)

### 6. INVESTMENT IN AFFILIATED COMPANIES

The investment in affiliated companies is as follows:

	1983	1982
Investment in BBC-RI Services Ltd.	\$ 93,437	\$ 85,093
Investment in BBC Realty Investments Limited	8,518	8,338
	<u>\$101,955</u>	<u>\$ 93,431</u>

### 7. MEDIUM TERM LOANS

Medium term loans mature as follows:

	Fixed rate	Floating rate	Total
1984	\$ 9,527,000	\$28,200,000	\$37,727,000
1985		7,000,000	7,000,000
1986	11,271,000		11,271,000
1987		1,000,000	1,000,000
1988	453,000		453,000
	<u>\$21,251,000</u>	<u>\$36,200,000</u>	<u>\$57,451,000</u>

Represented by \$41,451,000 with BBC-RI Services Ltd. (note 2) and \$16,000,000 with others.

### 8. TRUST UNITS

The number of Trust units authorized is unlimited and the amount issued and outstanding is as follows:

	Units	
Issued and outstanding as at December 31, 1983 and 1982	<u>2,623,927</u>	<u>\$29,109,144</u>

### 9. INCOME DISTRIBUTION AND RETAINED EARNINGS

The Trust has declared distributions quarterly throughout the year such that all net income of the Trust has been paid or is payable to unitholders.

Date of record	Distribution		Trust units out-standing
	Amount	Amount per trust unit outstanding	
March 31, 1983	\$ 865,896	\$0.33	2,623,927
June 30, 1983	655,982	0.25	2,623,927
September 30, 1983	655,982	0.25	2,623,927
December 31, 1983	459,187	0.175	2,623,927
	<u>\$2,637,047</u>	<u>\$1.005</u>	



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## BBC REALTY INVESTORS

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### 9. INCOME DISTRIBUTION AND RETAINED EARNINGS, continued

Retained earnings are the result of accounting for the investment in affiliates, BBC-RI Services Ltd. and BBC Realty Investments Limited, on the equity basis and the consolidation of REIT Properties Ltd., and KQX Realty Holdings Ltd., wholly-owned subsidiaries of the Trust.

### 10. THE TRUST GUARANTEES THE FOLLOWING:

- (a) Medium term promissory notes issued by BBC-RI Services Ltd., \$41,451,000.
- (b) Short term promissory notes issued by BBC-RI Services Ltd., \$43,304,856.
- (c) Standby lines of credit for BBC-RI Services Ltd. with Canadian Chartered Banks of \$33,500,000, none of which was utilized at December 31, 1983.

All proceeds of the above have been advanced to the Trust.

### 11. OPERATING LOANS

The Trust maintains operating lines of credit for \$7,500,000, none of which was utilized at the year end.

## Management Report to the Unitholders

The Financial Statements of BBC Realty Investors on pages 10 to 17 have been prepared by the management of the Trust and approved by the Trustees. The financial data included in the text of this report is consistent, to the extent applicable, with the financial statements and the underlying information from which these statements were prepared.

Management is responsible for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Trust maintains appropriate systems of internal controls, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs. The statements have been prepared utilizing accounting principles which we believe to be appropriate for the operations of the Trust.

Coopers & Lybrand, the Auditors appointed by the Trust, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express to the Unitholders their opinion on the financial statements. Their report as auditors is set forth on page 9.

The statements have been further examined by the Board of Trustees and its Audit Committee whose members are listed on page 5 of this report. This Committee meets with the Auditors and management to review the activities of each and it reports to the Board of Trustees. The Auditors have full access to the Audit Committee.

Vancouver, B.C.  
February 7, 1984



T.W. Pilley, President



T.C. Brennen, Vice-President





## Operations Review

### Assets

Total consolidated assets at December 31, 1983 were \$132.7 million, a decline of \$15.3 million or 10.3% from the previous year end. This decrease is directly related to the poor economic conditions and the resulting lack of new construction. New mortgage opportunities that did become available were generated in the British Columbia marketplace.

The mortgage portfolio withstood the economic downturn relatively well. It did however, experience a net decline of approximately \$20 million. Mortgages totalling \$40.7 million were repaid and new advances of \$22.3 million were made. This compares well with 1982, where \$47 million was repaid and new advances of \$24.3 million were made.

First mortgages on completed property represented 74% of the mortgages compared to

77% in 1982. First mortgages on construction, development and land represented 16% compared to 13% the prior year. Junior mortgages remained identical, representing 10% of the mortgage portfolio in each of 1983 and 1982. Details of the mortgage portfolio and the weighted average yields are outlined on page 24.

Income producing properties increased from \$6.2 million in 1982 to \$9.8 million in 1983 and now represent approximately 7% of invested assets of the Trust compared to 4% at year end 1982. The increase of \$3.6 million was comprised of three properties. Thirty one units in a stratified apartment building in Nanaimo, British Columbia were received through foreclosure and are carried at a book value of approximately \$.5 million. A commercial building in Edmonton, Alberta was acquired by the Trust from a client in lieu of repayment of an outstanding mortgage of \$1.7 million. The



third property, also a commercial building in Edmonton, Alberta was purchased through mortgage and cash negotiations with a client for approximately \$1.4 million. The properties obtained during 1983 are considered to have been obtained at market or less than market value. These properties may be held as a long term investment or sold should attractive opportunities become available.

The income producing properties held by the Trust or REIT Properties Ltd. (a wholly-owned subsidiary) provide opportunities to improve earnings from rental income and over the medium to long term provide gains through capital appreciation. Note 5 on page 16 provides further details with respect to the investments and depreciation applicable to these properties.

### **Financing**

The financing policy of the Trust is to match fund the investment portfolio as closely as possible with similar financing. Floating rate investments are funded by floating rate borrowings or equity. Equity plus fixed rate borrowings are used to fund fixed rate investments and provide for the acquisition of income producing properties. This policy has been effective in the elimination, for the most part, of interest rate sensitivity on earnings. The success achieved in this regard is shown on the graph on page 21.

The relative stability and slight decline of interest rates during 1983 provided a welcome contrast to the high levels and volatility of the preceding years. The year began with a prime rate of 12.5% and decreased to 11% by April where it remained for the duration of 1983. The prime rate has not declined to this level since October of 1978. The more stable interest rates and lower activity reduced the level of financing required by the Trust.

It is the Trust's policy to maintain back up lines of bank credit to support short term borrowings and to also carry adequate bank lines for operating requirements. As a result of lower funding requirements the Trust did not feel the cost of maintaining bank lines at previous levels was warranted. Consequently, operating lines and standby lines were reduced by \$2 million and \$3 million respectively. Currently the Trust

maintains operating lines of \$7.5 million and has guaranteed standby lines of \$33.5 million.

BBC-RI Services Ltd., under a financing agreement with the Trust borrows money required to finance the Trust's portfolio and lends the net proceeds to the Trust. Funding is achieved by issuing short term notes with maturities up to 364 days, medium term notes with maturities of one to ten years, and debentures. BBC Realty Investors and the Advisor each own 50% of BBC-RI Services Ltd.

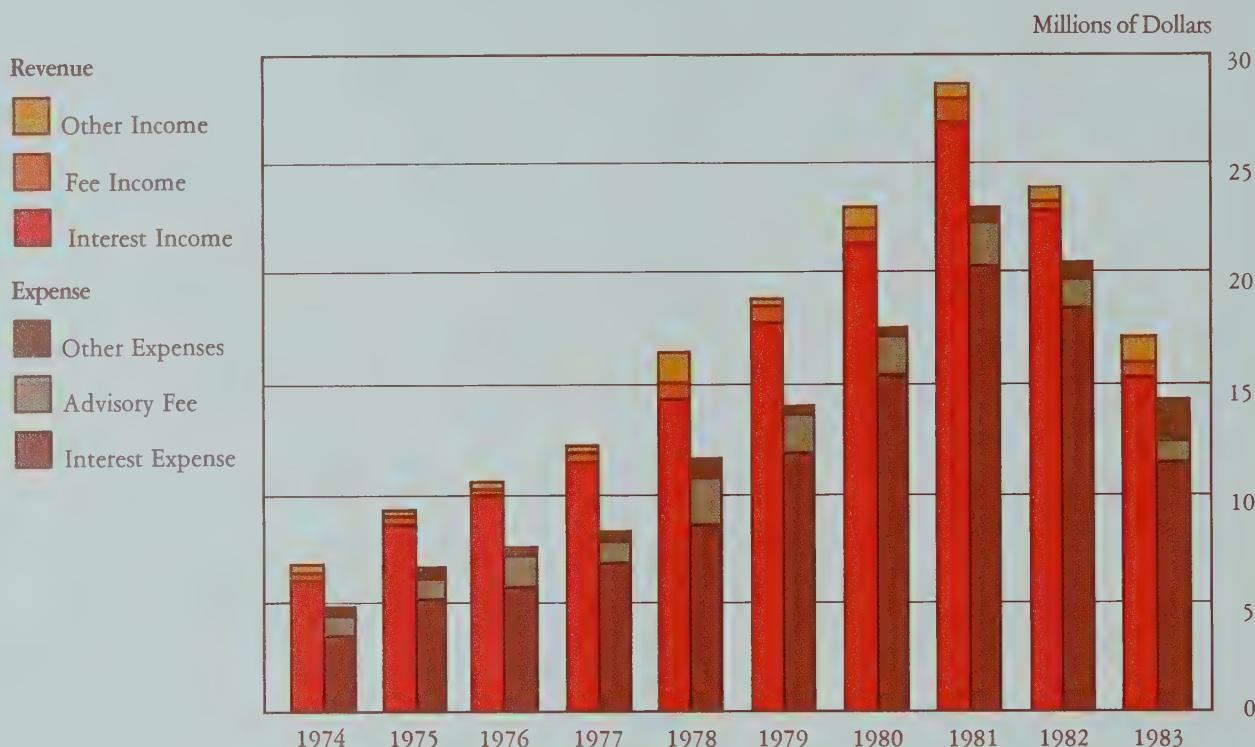
### **Revenue**

The Trust's consolidated gross revenues declined by \$7.1 million or 29% from revenues in 1982. This decline was substantially offset by a decline in operating expenses of \$7 million or 34% during the same period. The reduction in revenue was primarily a result of lower average interest rates combined with a reduction of invested assets and to a lesser degree non-payment by some clients on certain investments.

Interest income of \$15.7 million represents a 12.4% yield on average invested mortgages of \$126.9 million. Although the funding of new investments remained approximately equal to the previous year, fee income increased to \$450,000 from \$350,000 the previous year. A portion of this increase resulted from the Trust's ability to obtain fees from the renewal of maturing mortgages. Bonus and participation income amounted to \$9,000 as compared to \$85,000 for the previous year. Lower market prices and lack of activity did not provide opportunities for this type of income as in the past. As conditions improve it is expected this form of income will again become available. Income from properties increased to \$938,837 from \$563,099 in the previous year. The increase results from additional properties being held by year end 1983. The net return on the properties held after deduction of operating expenses of \$403,086 was \$535,751 which represents approximately a 6.5% return on the average property investment for the year. While this return is currently low, additional leasing of vacant space and recoveries of operating expenses from tenants will provide increased income and opportunities for capital appreciation in the future. Pages 22 and 23 provide a breakdown of revenues of the Trust over the past ten years.



## Revenue and Expense



### Expenses

Operating expenses, excluding provisions for losses decreased by approximately \$7 million or 34% to \$13.3 million from \$20.3 million in 1982. Interest expenses declined \$6.9 million from those in the previous year. This decrease reflects the lower level of borrowings required throughout the year combined with the lower interest rates which prevailed during 1983. The decline in the advisory fee of \$310,000 paralleled the percentage decrease in net income, as it relates directly to the net income of the Trust. Operating expenses for income producing properties increased by \$217,000 which reflects the additional costs associated with the new properties described in the asset section of this report. Other expenses increased by \$10,000. Deferred income taxes during 1983 are applicable to the taxable income for the year of the Trust's wholly-owned subsidiary — REIT Properties Ltd.

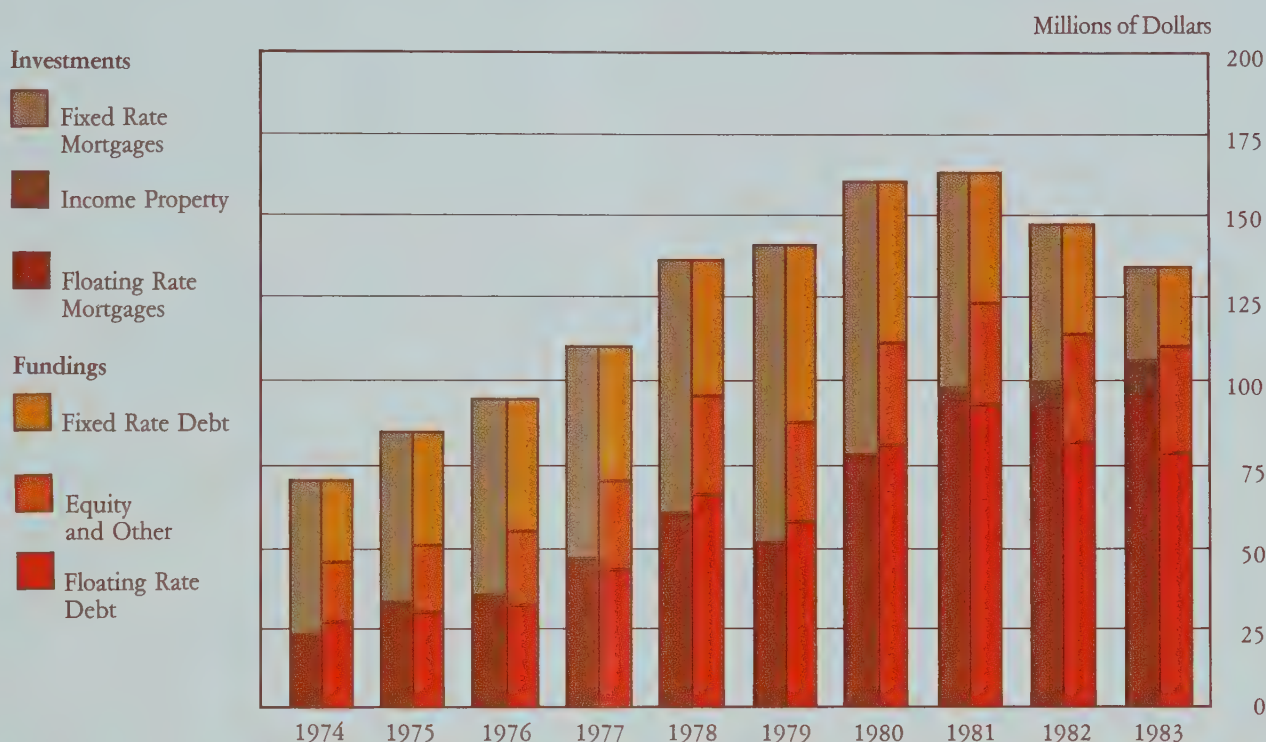
### Losses and Allowance for Losses

During 1983 the Trust experienced an actual loss of \$71,991 on a multi-residential property. As no future gain was apparent by repossessing and holding the property, combined with no immediate recovery from the guarantors, the property was sold and the shortfall was charged against the allowance for losses account. During the year the Trust increased the allowance for losses account by applying \$1,116,600 from current earnings. At year end the allowance for losses stood at \$3,134,609. The allocation from current income has had an impact on the earnings and distributions to Unitholders, however, it was deemed necessary to reflect the cyclical values of real estate in a recessionary period.

The criteria used to arrive at an appropriate allowance for losses is based on an individual review of each investment in the portfolio. In many cases, and in particular, on problem



## Matched Funding



accounts, outside appraisals or opinions are obtained. Where an investment exceeds current market value an allowance must be made. Where the total of these allowances does not exceed 1½ % of invested assets of the Trust, a general allowance may also be made. When the total allowance exceeds 1½ % of assets, as was the case in 1983, no general allowance is made.

Note 4 of the financial statements provides the activity of the allowance for losses account during the year.

## Earnings and Distributions

Consolidated net income for 1983 before provision for losses of \$3,772,288 declined only 4% from \$3,945,366 in 1982. Consolidated net income for the year after provision for losses was \$2,655,688, or a 26% decline from 1982. This indicates the significant effect that the recession and the need to provide for possible loan losses

has had on 1983 earnings and distributions.

\$1.005 per trust unit or \$2,637,047 was paid or payable to Unitholders during the year. The 1983 distributions of \$1.005 per trust unit compares to \$1.36 per trust unit in 1982.

Despite the poor economic environment the net profit of \$2.6 million represents a 9.1% return on Unitholders' equity. While this return is less than in previous years it continues to compare very well with an inflation rate of 5.8% which was experienced in Canada during the same period. The graph on page 23 provides annual comparisons of the return on equity and the average Canadian inflation rates.

The accompanying graphs and statistical information on pages 22 and 23 provide comparative information on the Trust's earnings, distributions and related statistics for the past ten years.



# BBC REALTY INVESTORS

## Statistical Information

as at December 31,

Mortgage Investments, Commitments and Income Producing Property (thousands of dollars)	1983	1982	1981	1980	1979	1978
Mortgage investments	121,842	140,237	162,934	162,684	138,646	136,977
Outstanding commitments	8,456	11,134	33,466	34,950	42,535	25,963
Income producing property	9,748	6,169	3,762	—	—	—
	<u>140,046</u>	<u>157,540</u>	<u>200,162</u>	<u>197,634</u>	<u>181,181</u>	<u>162,940</u>

## Source of Funds

(thousands of dollars)

Operating loans	—	875	6,500	1,500	100	200
Short term loans	43,304	35,433	54,714	52,110	31,884	36,875
Medium term loans	57,451	78,605	73,430	68,430	65,375	59,275
Note due August 15, 1978	—	—	—	—	—	—
Note due July 31, 1981	—	—	—	9,700	9,700	9,700
Equity and retained earnings	29,229	29,210	29,198	29,109	29,109	29,109
	<u>129,984</u>	<u>144,123</u>	<u>163,842</u>	<u>160,849</u>	<u>136,168</u>	<u>135,159</u>

## Revenue

(thousands of dollars)

Interest income	15,730	23,259	27,181	21,483	17,918	14,597
Fees	450	350	744	592	881	473
Bonus interest, participation and other income	9	85	196	105	171	334
Sale of property option	—	—	—	500	—	1,002
Property and subsidiary income	939	563	360	—	—	—
	<u>17,128</u>	<u>24,257</u>	<u>28,481</u>	<u>22,680</u>	<u>18,970</u>	<u>16,406</u>

## Expenses

(thousands of dollars)

Interest	11,713	18,594	20,568	15,284	12,206	8,967
Advisory fee	879	1,190	1,867	1,683	1,620	1,549
Property operating expenses	403	186	34	—	—	—
Provision for losses	1,117	365	100	500	100	1,000
Other	350	340	201	164	184	242
Provision for deferred income taxes	11	1	20	—	—	—
	<u>14,473</u>	<u>20,676</u>	<u>22,790</u>	<u>17,631</u>	<u>14,110</u>	<u>11,758</u>

## Earnings and Distribution on Outstanding Trust Units

Outstanding trust units (in thousands)	2,624	2,624	2,624	2,624	2,624	2,624
Net earnings (thousands of dollars)	2,656	3,581	5,691	5,048	4,860	4,648
Distribution (thousands of dollars)	2,637	3,569	5,602	5,048	4,860	4,648
Net earnings per trust unit (dollars)	1.012	1.365	2.169	1.924	1.852	1.803
Distribution per trust unit (dollars)	1.005	1.360	2.135	1.924	1.852	1.803
Return on equity (percent)	9.1	12.3	19.5	17.3	16.7	16.3
Return on invested assets (percent)	1.96	2.25	3.58	3.25	3.54	3.72

## Market Statistics of Units

Price range of units — high (dollars)	11⅞	13⅞	15¼	16	17¾	17
low (dollars)	8⅞	6	11¼	11⅞	13½	15
Price earnings range — high	11.7:1	9.80:1	7.03:1	8.33:1	9.6:1	9.4:1
low	8.3:1	4.39:1	5.19:1	6.05:1	7.3:1	8.3:1



# BBC REALTY INVESTORS

1977	1976	1975	1974
110,695	95,157	85,004	72,664
28,957	18,189	7,816	11,710
—	—	—	—
<u>139,652</u>	<u>113,346</u>	<u>92,820</u>	<u>84,374</u>

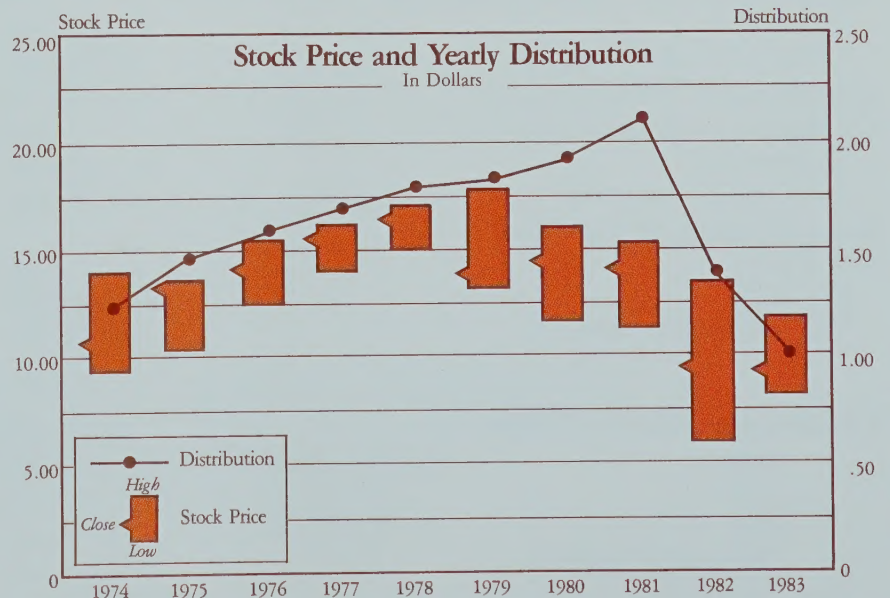
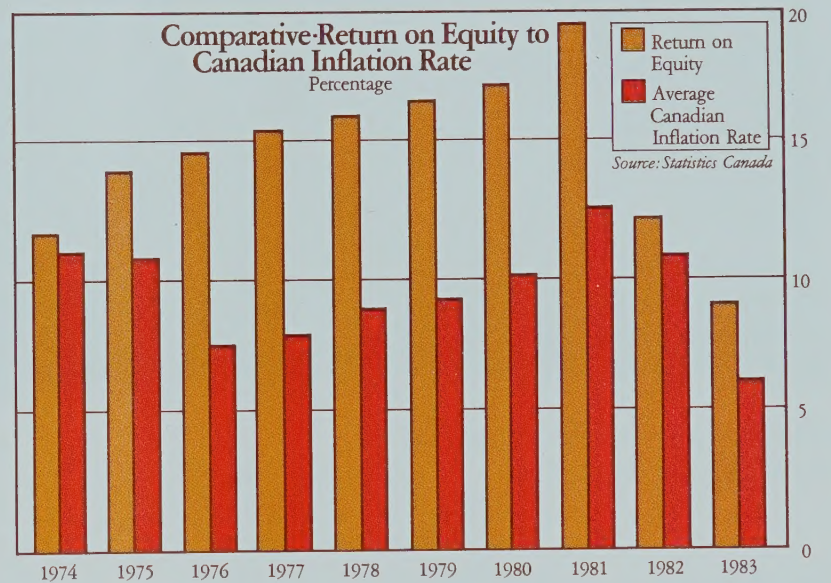
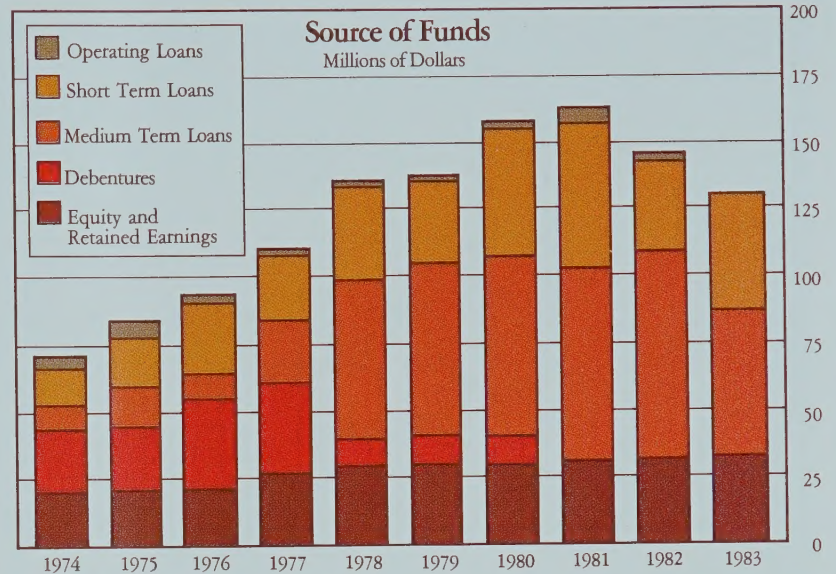
950	3,375	6,200	4,950
23,877	23,932	19,188	14,449
24,361	12,091	14,350	8,000
24,338	24,338	24,338	24,338
9,700	9,700	—	—
26,655	20,463	20,363	20,355
<u>109,881</u>	<u>93,899</u>	<u>84,439</u>	<u>72,092</u>

11,488	10,058	8,767	6,211
552	440	246	230
209	115	179	120
—	—	—	—
—	—	—	—
<u>12,249</u>	<u>10,613</u>	<u>9,192</u>	<u>6,561</u>

7,090	6,387	5,152	3,652
1,228	1,000	944	702
—	—	—	—
100	100	150	—
145	125	115	100
—	—	—	—
<u>8,563</u>	<u>7,612</u>	<u>6,361</u>	<u>4,454</u>

2,419	1,903	1,895	1,894
3,685	3,001	2,830	2,107
3,685	3,001	2,830	2,107
1,701	1,580	1,494	1,248
1,701	1,580	1,494	1,248
15.6	14.7	13.9	11.7
<u>3.58</u>	<u>3.39</u>	<u>3.57</u>	<u>3.77</u>

16	15¼	13¾	14¾
14¾	12½	10¼	9½
9.4:1	9.7:1	9.0:1	11.3:1
8.3:1	7.9:1	6.9:1	7.6:1







## Mortgage Portfolio Composition

As at December 31, 1983

		Total	Weighted Average Yield
<b>First Mortgages on Completed Real Estate</b>			
Residential	\$18,812,798		
Commercial and Industrial	72,223,315	\$ 91,036,113	13.28%
<b>First Mortgages on Construction, Development and Land Loans</b>			
Construction	\$ 105,435		
Land and Development	18,741,023	18,846,458	13.53%
<b>Junior Mortgages on Completed Real Estate</b>			
Residential	\$ 1,337,068		
Commercial and Industrial	10,622,129	11,959,197	14.69%
		<u>\$121,841,768</u>	<u>13.46%</u>

The Mortgages Mature as Follows:

1984	\$97,976,524
1985	12,808,156
1986	8,975,710
1987 and Subsequent	2,081,378

78.5% of the above mortgage investments have rates which are subject to changes with the bank prime rate. The bank prime was 11.0% at December 31, 1983.

The above rates do not reflect the additional revenues received from fees, bonus interest, participation and other income.



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## BBC REALTY INVESTORS

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### Advisor

Bank of British Columbia  
#1725 - 555 Burrard Street  
Vancouver, British Columbia

### Legal Counsel

Lawson, Lundell, Lawson & McIntosh  
Vancouver, British Columbia

### Auditors

Coopers & Lybrand  
Vancouver, British Columbia

### Securities Listings

Montreal Stock Exchange  
Toronto Stock Exchange  
Vancouver Stock Exchange

### Unit Registrar and Transfer Agent

National Trust Company, Limited  
Vancouver, British Columbia

### Stock Symbol

BBT un

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#635 - 555 Burrard Street  
Vancouver, British Columbia  
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